

Policy for Appointment of Statutory Auditors

The Reserve Bank of India, has vide its Circular No.RBI / 2021-22 / 25 Ref.No.Dos.Co.ARG / SEC.01 / 08.91,00 / 2021-022 Dt.April 27, 2021 issued guidelines for appointment of Statutory Auditors of UCBs and advised to formulate a Board Approved Policy, accordingly following policy is formulated.

1. Applicability:

The guidelines issued in the policy will be applicable to UCBs for Financial years 2021-22 and onwards in respect of appointment / re appointment of Statutory Auditor.

Since this policy is to be implemented for the first time, the bank may adopt these guide lines from second half of 2021-22 in order to avoid disruption.

2 Prior Approval of RBI

The Bank is required to take prior approval of RBI (Department of Supervision) Regional office Nagpur, by approaching RBI before 31st July of the reference year.

3 Number of Statutory Auditors / Firms

The asset size of our bank at present is within Rs.1000 Crore to Rs.15000 Crores slab, Considering the asset size of the bank, we shall appoint one audit firm (Partnership firm / LLPs) for conducting statutory Audit the requirement is as per Annex 1.

4 Coverage of Audit

The Statutory Auditors shall visit and audit at least the Top 20 Branches, to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the bank.

5 Eligibility Criteria of Auditors

The Bank shall adhere to the minimum eligibility criteria as prescribed in Annex I of RBI Circular Dt.27.04.2021.

The modification / changes, if any, made by RBI in norms / criteria / procedure, shall be applicable from time to time.

6 Independence of Auditors

- 1) The Board of Directors shall monitor & assess the independence of the Auditors & any concern in this regard may be flagged by, the Board of bank to the concerned Regional office of RBI.
- 2) In case of any concern with the Management of the bank such as non-availability of information / non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board / under intimation to the concerned R O of RBI.
- 3) Concurrent auditors of the bank shall not be considered for Appointment as SAs for the same reference year of the bank.

7. Professional Standards of Statutory Auditor

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Board shall review the performance of SAs on an annual basis. Any serious lapses / negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit.

In the event of lapses in carrying out assignments resulting in misstatement of bank financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SAs in relation to bank the SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

8. Tenure and Rotation

In order to protect the independence of the auditor's / audit firms, bank may appoint the SAs for a continuous period of three years' subject to the firms satisfying the eligibility norms each year. Further, bank can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision) along with reasons / justification for the same, within a month of such a decision being taken.

An audit firm would not be eligible for reappointment in the bank for six years (two tenures) after completion of full or part of one term of the audit tenure.

9. Audit Fees and Expenses

The audit fees for Statutory Auditor of the bank shall be decided by The Board as reasonable may think.

10. Statutory Audit Policy and Appointment Procedure

The bank shall follow detailed procedural guidelines, in conformity with the instructions under this policy for appointment / reappointment of statutory Auditor. The modification / changes, if any, made by RBI in norms / criteria / procedure, from time to time shall be part of this Policy.

ANNEX-I

Eligibility Criteria for Appointment as / SA

A. Basic Eligibility.

Asset Size of Entity as on 31 st March of Previous Year	Minimum No. of Full- Time Partners (FTPs) Associated with the Firm for a Period of At least Three (3) Years Note - 1	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners Associated With the Firm for a Period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs With CISA / ISA Qualification Note 2	Minimum No. of Years of Audit Experience of the firm Note- 3	Minimum No. of Professional Staff Note 4
Above Rs1,000 Crore and Up to Rs.15,000 Crore	3	2	1	8	12

* **Not mandatory for UCBs / NBFCs with asset size of up to Rs.1000 Crore.**

Note 1:

- (a) The full-time partner should not be a partner in other firm/s.
- (b) She / He should not be employed full time / part time elsewhere.
- (c) She / He should not be practicing in her / his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2 (2) of the Chartered Accountants Act, 1949.

Note 2: CISA / SA Qualification:

For UCBs and NBFCs with asset size up to Rs. 1,000 Crore, there is no minimum requirement in this regard. However, such Entities may give priority to firms with full time partners or full time CAs having CISA / ISA qualification. There should be at least one –year continuous association of Paid CAs with CISA / ISA qualification with the firm as on the date of empanelment / shortlisting (for other Entities) for considering them as Paid CAs with CISA / ISA qualification for the purpose.

Note 3: Audit Experience:

For UCBs audit experience mean experience of audit firm as SA of UCB, Commercial Banks. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists / stenographers / computer operators / secretaries / subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of empanelment shortlisting for considering them as professional staff for the purpose.

B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SCAs / SAs for Entities, should be duly qualified for appointment as auditor of company in terms of Section 141 of the Companies Act, 2013.
- (ii) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or other Financial Regulators.
- (iii) The bank shall ensure that appointment of SAs is in line with the ICA's Code of Ethics / any other such standards adopted and does not give rise to any conflict of interest.
- (vi) For audit of UCBs, the SA of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language of the state in which the UCB / branch of the UCB is located.

C. Continued Compliance with basic eligibility criteria

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach the bank with full details. Further, the audit firm shall take all necessary steps to become eligible with a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

In case of any extraordinary circumstance after the commencement of audit, like death of one or more partner's employees, etc. which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit as special case.

ANNEX II

Procedure for Appointment of SCAs / SAs

1. The bank shall shortlist minimum of 2 audit firms for every vacancy of SAs so that in case the firm at first preference is found to be ineligible / refuses appointment, the firm at second preference can be appointed.
2. The bank shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SAs. Upon selection of SAs by the bank in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SAs.
3. The bank shall obtain a certificate, along with relevant information as per Form B, from the audit firm duly signed by the main partner, under seal of the audit firm(s) proposed to be appointed as SAs.
4. The bank shall verify the compliance of audit firm(s) to the eligibility norms and after being satisfied, recommend the names along with a certificate, in the format as per **Form C**,
5. The Bank shall forward a copy of Board Resolution recommending names of audit firms for appointment as SAs in the order of preference and also furnish information as per **Form B and Form C**.

Form B

Eligibility Certificate from (Name and Firm Registration Number of the firm) Particulars of the firm.

Asset Size of Entity as on 31 st March of Previous Year	Number of Full-Time Partners (FTPs) Associated with the Firm for a Period of Three (3) Years	Out of total FTPs, Number of (FCA) Partners Associated With the Firm for a Period of at three (3) Years	Number No. of Full Time Partners/ Paid CAs With CISA / ISA Qualification	Number of Years of Audit Experience	Number of Professional Staff

THE AKOLA JANATA COMMERCIAL BANK LTD., AKOLA

- * Exclusively associated in case of all Commercial Banks (excluding RRBs) UCBs / NBFCs with asset size of more than Rs1,000 Crore
- # Details may be furnished separately for experience as SCAs / SAs

B. Additional Information:

- (i) Copy of Constitution Certificate.
- (ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- (iii) Whether the firm has been appointed as SCA / SA by any other Commercial Bank (excluding RRBs) and / or All India Financial Institution (AIFI) / RBI / NBFC / UCB in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator / Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator / Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs / SAs of Commercial Banks (excluding RRBs) / UCBs / NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as willful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)

Date: -

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(This Policy for Appointment of Statutory Auditors has been approved by the Board of Directors in their meeting held on 27.07.2021 vide Resolution No.15(1))